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Hertz

NEWS

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Older But Cheaper...

NATION'S 1980 USED CAR SALES, PRICES HIT ALL TIME HIGHS, HERTZ ESTIMATES

Although new car sales continued their slump last year, American's bought a record 18.664 million used autos in 1980, a fraction of a percent over 1979's previous high of 18.521 million, The Hertz Corporation reported today.

Inflation, though, pushed total used unit outlays to \$70.8 billion, including the value of still older vehicles traded, up some 6.1% over the 1979 totals, according to the lease rental company's new annual estimate of the second-hand vehicle market.

The 1980 average used car price came to \$3,794, just 5.3% above 1979's outlay of \$3,602, a rise well under the estimated 12% increase in new car price tags during the same 12-month period, the firm's study shows.

Last year's average used car sold was slightly older and had more mileage on it than its 1979 counterpart, the company noted, and many larger, less fuel-efficient models were sold at greater discounts, moderating the 1980 increase.

"The typical 1980 used car was 3.23 years old and had run 32,780 miles while the average unit in 1979 was 2.86 years of age and had travelled 29,030 miles," Hertz said its data indicated.

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"The figures point up the fact that motorists are buying smaller cars, driving them fewer miles per year and keeping them longer to combat the almost-explosive increases in transportation expenses," according to the company.

BUYING, RUNNING BOTH COST LESS

The Hertz study also shows that used cars are about 40% less costly to buy and run than comparable new models and the lease rental company said its data shows that four out of five U.S. motorists buy used cars as their primary form of transportation -- almost solely because of the relative economy of used units.

The 18.664 million used car retail sales for 1980 contrast with new car sales of 8.761 million new units registered. Over the past decade, the Hertz study tables point out, used car retail sales have ranged from 40-114% above new car transactions.

In 1970 retail second-hand auto sales totalled just 15.9 million, climbed to 17.7 million by 1972 but dropped sharply the next three years to 15.2 million in 1975 before resuming their climb to the 1980 peak.

SAVE 12-50% ON OPERATING OUTLAYS

Purchase prices even for relatively low-mileage, year-old units can be 20-25% under new car outlays, with savings of up to 90% for seven-year-old specimens. Depending on use periods and mileage, ownership and operating expenses for second-hand autos range from 12-50% under charges for new units in similar driving.

Biggest savings on used units stem from their lower purchase prices and the fact the passenger-car depreciation rates -- the difference between a car's sale price and its trade-in value -- are higher in early years, lower later on, the lease-rental firm's study shows.

Lower purchase prices can also bring savings on interest payments and insurance premiums, the Hertz analysis points out, more than off-setting increases in fuel and upkeep expenses as cars age and roll up higher mileage.

Illustrating the second-hand car savings, the Hertz figures note that a 1980 compact-sized sedan costs an estimated 39.8¢ a mile to run 10,000 miles annually for three years. But this same car purchased used as a three-year-old vehicle and driven 10,000 miles annually for another three years would cost just 23.9¢ a mile. a 40% saving.

If this same car, then six years old with 60,000 miles on it, is traded again and driven yet an additional three-years for 10,000 miles a year, costs would drop to 19.8¢ a mile at 1980 price levels -- less than half the new car expense.

NEW CAR DEALERS SELL MOST USED UNITS

A Hertz poll of used car buyers shows that new car dealers retail about 42% of the total number of used cars, but since these agencies normally sell newer, more expensive (\$4418 average price) units, their revenues were \$34.6 billion, almost half the total.

Used car-only outlets, without a new car franchise, sold about 18% of the total (at a \$3981 average). Private sales to strangers accounted for another 29% (at a \$3141 average). This segment included direct fleet sales, estimated at about 3% of the total. Transactions between friends or relatives comprised the remaining 11% (\$2828 average).

Hertz says its data indicates that typical domestic passenger cars have an average of three owners during their lifetime, with a new car first traded after 3.57 years. New cars bought for personal use are kept just over four years before being traded, while cars entering non-personal (business) use are traded after 2.4 years of driving. Both types of units in the past have been traded at a time they have been driven 50,000-55,000 miles.

The average age and mileage at time of sale of all new cars is higher than the average age at which used cars are purchased because some new cars are not traded at all.

CARS LAST LONGER, UPKEEP LESS

The lease-rental company statistics indicate that -- barring severe accidents or unrecovered thefts -- 40-45% of all cars are still on the road after 10 years of operation. Only in the 11th through 14th years of a car's age does the number scrapped rise substantially. By the 15th year, only about 5% of the vehicles of any model year remain in service.

While inflation has pushed all elements of car ownership higher over the years, maintenance costs have risen less than any other category. In terms of constant dollars they are about 30% under their 1950 levels and two-thirds below 1925 outlays.

The Hertz study estimates that some 36% of the \$70.8 billion spent in 1980 on used cars represents the value of still-older vehicles traded by more than one-third of used car purchasers when they acquire a more recent model. Some estimates omit this trade-in value from used car market size estimates.

Some tabulations also count each registration change as a used car purchase, so if an owner trades to a dealer who in turn sells to a purchaser, wholesaler or auctioneer, several transactions may be recorded, inflating true numbers.

While only about half of all new cars purchased are for personal use, Hertz noted, some 95% of used cars are bought for private transportation. But the firm said used-car purchase for business use is about 5%, up from 4% last year. The firm said state and local governments in particular have displayed interest in second-hand cars for fleets during the past 18 months.

Hertz retails about 80,000 used cars and trucks annually from its lease and rental vehicle fleets of about 300,000 units. The firm regularly monitors costs to own and operate both new and used vehicles.

In addition, the company annually estimates total national car and truck spending, and reports on the size and growth of the car and truck lease-rental market. The latest Hertz used car figures combine data projected from a 1979 poll of used car buyers (conducted by an independent firm), Hertz internal data and published industry statistics.

TABLE I

HERTZ ESTIMATES OF USED CAR RETAIL SALES IN THE UNITED STATES

Year	Second Hand Autos Retailed By . . .			Private Sales To--		TOTAL USED CARS RETAILED (C)
	Franchised New Car Dealers	Used Car Dealers Without New Car Franchise		Strangers (B)	Friends & Relatives	
1970	\$ Per Unit (A) \$1,616	\$1,456		\$1,149	\$1,036	\$1,388
	Units (Thous.) 6,698	2,871		4,625	1,754	15,948
	Total \$ (Bil.) \$10.83	4.18		5.32	1.82	\$22.14
1971	1,644	1,622		1,280	1,153	1,625
	7,253	3,108		6,908	1,944	17,269
	11.93	5.04		8.85	2.24	28.06
1972	1,935	1,744		1,377	1,315	1,668
	7,421	3,180		5,124	1,944	17,699
	14.36	5.54		7.05	2.56	29.52
1973	2,187	1,971		1,557	1,401	1,879
	6,762	2,898		4,669	1,771	16,100
	14.79	5.71		7.27	2.48	30.25
1974	2,314	2,085		1,647	1,483	2,169
	6,585	2,822		6,271	1,325	15,679
	15.24	5.88		10.33	2.56	34.01
1975	2,613	2,354		1,858	1,673	2,251
	6,404	2,745		4,422	1,742	15,248
	16.73	6.46		8.22	2.91	34.33
1976	3,144	2,831		2,236	2,013	2,700
	6,650	2,850		4,592	1,742	15,833
	20.40	8.069		10.266	3.507	42.75
1977	3,512	3,163		2,498	2,248	3,016
	7,451	3,193		5,145	1,951	17,740
	26.17	10.10		12.85	4.39	53.50
1978	3,988	3,587		2,835	2,554	3,424
	7,538	3,231		5,205	1,974	17,949
	30.06	11.59		14.76	5.04	61.45
1979	4,196	3,781		2,984	2,687	3,602
	7,779	3,334		5,371	2,027	18,521
	32.64	12.61		16.03	5.45	66.71
1980	4,418	3,981		3,141	2,828	3,794
	7,839	3,359		5,413	2,053	18,664
	34.63	13.37		17.00	5.81	70.81

- A - Per Unit \$ price is the gross, including value of cars traded, as is, therefore total revenue
 B - Includes direct sales by fleet operators and lease-rental companies such as Hertz.
 C - Figures assume one transaction to from driver to driver. Example: If owner trades car to dealer and dealer then re-sells to private individual, this is one transaction, not two. Some estimates count this as two sales. In instances of a dealer wholesaling or auctioning a car, there may be as many as 3-4 title transfers, but these are considered a single sale.

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Table II

AVERAGE OWNERSHIP & OPERATING COSTS OF TYPICAL NEW & USED AUTOMOBILES
(assumptions in constant 1980 dollars)

Compact Sedan, Driven 10,000 Miles A Year - For Varying Numbers of Years

Age of Car When Purchased	<u>NEW</u>		<u>1-Year-Old</u>		<u>3-Years Old</u>		<u>6 Years Old</u>	
Years Driven	<u>3</u>	<u>10</u>	<u>3</u>	<u>9</u>	<u>3</u>	<u>7</u>	<u>3</u>	<u>4</u>
Depreciation	15.49¢	6.32¢	12.69¢	5.37¢	5.20¢	2.97¢	1.76¢	1.65¢
Insurance, Lic. & Fees	8.13	6.99	7.26	3.24	5.64	3.09	4.81	3.96
Interest	5.82	3.24	4.48	1.49	1.99	.85	1.32	.59
Sub-total Fixed Costs	<u>29.44</u>	<u>16.56</u>	<u>24.43</u>	<u>10.10</u>	<u>12.82</u>	<u>6.91</u>	<u>7.89</u>	<u>6.20</u>
Maintenance	2.28	3.15	2.64	3.31	2.98	3.53	3.68	3.94
Gasoline & Other Serv. Sta. Charges	<u>8.04</u>	<u>8.15</u>	<u>8.07</u>	<u>8.16</u>	<u>8.13</u>	<u>8.20</u>	<u>8.23</u>	<u>8.25</u>
Sub-total Variable Costs	<u>10.31</u>	<u>11.30</u>	<u>10.71</u>	<u>11.47</u>	<u>11.11</u>	<u>11.73</u>	<u>11.91</u>	<u>12.19</u>
TOTAL FIXED & VARIABLE COSTS	<u>39.75¢</u>	<u>27.86¢</u>	<u>35.14¢</u>	<u>21.57¢</u>	<u>23.93¢</u>	<u>18.64¢</u>	<u>19.80¢</u>	<u>18.39¢</u>
Assumed Car Purchase Price	\$6454		\$4969		\$2169		\$820	

Note: Assumptions and methodology for used car expense estimates are in general similar to those for Hertz new car cost calculations and the new car studies are free upon request. However, purchase prices reflect estimates only of dealer markup margins, rather than markups by individuals, as satisfactory data is unavailable on the latter (although it is assumed to be lower). Used car loan duration maximums are assumed to be three years, rather than five with new cars, and interest rates are assumed to be slightly higher for older, higher-mileage units than for new and recent model-year units.

HERTZ USED CAR STUDY TABLE III

COMPARATIVE PURCHASE PRICES AND OPERATING COSTS OF NEW AND USED CARS
 (Using Compact Sized Car and 1980 Prices)
 At 10,000 Miles Per Year of Travel

Age of Car When Purchased In Years	Purchase Price of Car	Pct. Saved	Cents Per Mile Ownership & Operating Costs			
			Car Kept 3 Years	Pct. Saved	Until Junked	Pct. Saved**
<u>NEW</u>	<u>\$6,454</u>	--	<u>39.8¢</u>	--	<u>27.9¢</u>	--
One	4,969	23%	35.1	12%	21.6	25%
Two	3,414	47%	28.6	28%	20.2	32%
Three	2,169	66%	23.9	40%	18.6	41%
Four	1,417	78%	21.2	47%	18.2	46%
Five	1,049	84%	20.4	49%	19.0	48%
Six	820	87%	19.8	50%	18.4	51%
<u>Seven</u>	<u>661</u>	<u>90%</u>	<u>19.8</u>	<u>50%</u>	<u>---</u>	Same <u>---</u>
USED AVERAGES	\$2,071	68%	24.1¢	39%	19.4¢	43%

* 10-Year, 100,000 mile car life span assumed; year-old car is assumed to be driven 9 additional years; 2-year old car eight more years, etc.

** The percentage saved until junked reflects driving the used car the same number of years as the new car is driven, e.g. saving for a year-old car driven 9 years until junked is compared with cost of driving new car for 9 years. For two-year old car, saving calculated from eight years of driving. (The average is 33.93¢ a mile.)

Full figures indicate that, for used cars as well as new ones, per-mile costs decline with the number of years the car is kept through the tenth year of the car's life. It is un-economic to buy a used car and keep it only one year, assuming 10,000 mile-per-year-travel.

NOTE: Buyers should consider a car's mileage as well as its age in estimating future operating costs. For example, a three-year-old car with 60,000 miles on it can be expected to run only another four years at 10,000 miles a year, not seven.
 *** Costs are estimated at 1980 levels assuming no inflation; inflation would reduce apparent depreciation, but not constant-dollar values and would increase costs in other categories.

Averages in this table do not correspond with those in Table V because figures here are based on a specific car and those in Table V reflect a composite sample of different cars.

TOTAL NEW AND USED CARS SOLD IN 1980

(IN MILLIONS)

TABLE IV

	<u>Total Cars Sold</u>	<u>Cars Sold For Non-Personal Use (A)</u>	<u>Cars Sold For Personal Use</u>
1. New Domestic Models	6.202	2.892	2.400
2. New Imported Cars	<u>2.469</u>	<u>.413</u>	<u>2.056</u>
Sub-total New Cars	8.761	4.305	4.456
Percentage	100%	49.1%	50.9%
3. Used Cars (Domestic and Import)	18.664	.933	17.731
Percentage	<u>100%</u>	<u>5%</u>	<u>95%</u>
<u>TOTALS</u>	<u>27.425</u>	<u>5.238</u>	<u>22.187</u>
Percentage	100%	19.1%	80.9%

ANNUAL AVERAGE CARS SOLD 1970-79

1. New Domestic Models	8.090	4.469	3.621
2. New Import Models	<u>1.454</u>	<u>.119</u>	<u>1.335</u>
Sub-total New Cars	9.544	4.588	4.956
3. Used Cars (Domestic and Imported)	16.799	.672	16.127
Percentage	<u>100%</u>	<u>4%</u>	<u>96%</u>
<u>TOTALS</u>	26.343	5.260	21.083
	100%	20%	80%

(A) The term "fleet" vehicle is defined by the auto industry as a unit sold to an organization which purchases 10 or more such units each year. Over the past decade, this percentage has averaged 15 - 16% of total domestic units sold, 4% of imports. But, in addition, there are a great many more units sold to smaller organizations, and to individuals, which are used primarily for business rather than for purely personal driving, such as pleasure travel and commuting alone. During the 1970's, these sales have averaged 30-40% of new car registrations.

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TABLE V

1980

AVERAGE PRICE AND MILEAGE OF USED CARS BY AGE OF CAR WHEN PURCHASED

	All Cars	Under 1 Year	1 Year Old	2 Years Old	3 Years Old	4 Years Old	5 Years Old	6 Years Old	7 Years & Older	Used Cars Purchased From		
										New Car Dealer	Used Car Dealer	Private Dealer
Average Price Paid for Used Car	\$ 3794	\$ 6634	\$ 5309	\$ 4362	\$ 3396	\$ 2174	\$ 1723	\$ 1502	\$ 1473	\$ 4418	\$ 3981	\$ 3055
Average Mileage at Time Bought	32,870	10,231	12,562	20,952	31,408	43,858	53,548	61,750	69,838	23,933	35,541	41,161
Percent of Used Cars Purchased		2%	24%	31%	8%	9%	6%	5%	14%	42%	18%	11% (friends and relatives) 29% (other)

Projected from
Hertz Poll
Originally Issued 10/79

TABLE VI

HERTZ USED CAR STUDY SUMMARY COST AND MILEAGE DATA 1979

Originally ISSUED 10/1/1979	ALL USED CARS	AGE OF CAR WHEN PURCHASED		PRICE SEGMENT		MILES ON CAR BOUGHT		CAR FUNCTION		PURCHASE METHOD		WOULD BUY A USED CAR AGAIN?		MEN	WOMEN
		Under 2 years	Over 5 years	Under \$3000	Over \$5000	Under 20M	Over 50M	Primary	Secondary	Finance	Cash	Yes	No		
AV PRICE	\$ 3,602	\$ 5,174	\$ 1,566	\$ 1,519	\$ 6,223	\$ 4,916	\$ 1,548	\$ 4,095	\$ 2,750	\$ 4,079	\$ 2,834	\$ 3,647	\$ 3,448	\$ 3,626	\$ 3,473
CAR AGE YRS (When Purch.)	2.86	0.9	6.61	5.61	1.0	1.13	6.35	2.08	4.21	1.96	4.28	2.80	3.10	2.94	2.47
Mileage Then	29,020	12,820	55,540	51,020	11,100	9,330	67,590	24,790	36,260	23,450	37,930	29,040	28,780	29,310	27,440
AV MPY U/C HAD BEEN DRVN	10,147	14,244	8,402	9,094	11,100	8,256	10,644	11,918	8,612	11,964	8,862	10,371	9,289	9,969	11,109
MPY EXPECTED NEXT YEAR	12,980	14,050	12,020	11,670	14,220	13,260	12,090	12,880	13,130	13,390	12,400	13,360	11,660	13,200	11,730
YRS PREV U/C KEPT	3.23	3.33	2.98	3.11	3.23	3.30	2.69	3.18	3.33	3.07	3.47	3.37	2.70	3.33	2.52
TOTAL MILES PREV U/C	36,810	38,350	34,720	36,460	37,660	38,090	31,050	36,310	37,620	36,430	37,620	37,570	33,750	38,120	26,290
MPY PREV U/C	11,396	11,515	11,651	11,723	11,659	11,542	11,543	11,418	11,297	11,866	10,841	11,489	12,500	11,447	10,432
YRS EXPECT TO KEEP THIS CAR	3.00	3.16	2.66	2.63	3.24	3.24	2.50	3.07	2.87	3.15	2.75	3.06	2.78	3.01	2.97
YRS PREV N/C WAS KEPT	3.99	4.05	3.75	3.63	3.70	4.02	3.56	4.06	3.59	3.65	4.07	4.09	3.51	4.11	3.44
MILES PREV N/C DRVN	48,490	48,570	48,750	46,230	46,540	49,940	47,520	48,380	48,180	46,540	50,910	49,650	44,260	50,380	38,460
AV MPY PREV N/C DRVN	12,153	11,992	13,000	12,736	12,578	12,423	13,348	11,916	13,421	12,750	11,389	12,139	12,610	12,258	11,180
AV AGE U/C BUYER	36.40	38.26	34.90	34.20	38.0	37.50	32.70	35.70	37.50	34.30	39.30	37.10	33.80	37.70	29.70
AV INCOME U/C BUYER	\$19,939	\$19,980	\$20,511	\$19,960	\$21,197	\$20,154	\$19,589	\$18,953	\$21,162	\$19,964	\$19,816	\$19,862	\$20,295	\$20,352	\$17,739
MALE U/C BUYERS (%)	86%	85%	86%	84%	87%	84%	89%	82%	87%	83%	18%	84%	16%	100%	--
FEMALE U/C BUYERS (%)	14%	15%	14%	16%	13%	16%	11%	18%	13%	85%	15%	81%	19%	--	100%

HERTZ USED CAR STUDY TABLE
VEHICLES TRADED AND SCRAPPED
(Of Average 8,090,000 U.S. Makes Registered Annually in 1970's)
AND ESTIMATED ANNUAL MILEAGE

Car Age Year	Pct. of New Cars Sold Which Are Traded, By Age In Years	Number New Cars Traded Annually	Cars Presumed Scrapped Each Year	Pct. Cars Presumed Scrapped Each Year	Cumulative Pct. Cars Presumed Scrapped	Average Annual Mileage Of Cars Traded
1.	12%	990,216	4,567	0.06	0.06	17,180
2.	14	1,113,184	28,359	0.35	0.41	15,427
3.	17	1,365,592	173,947	2.15	2.56	13,710
4.	15	1,171,432	222,519	2.75	5.31	11,466
5.	13	1,022,576	297,851	3.68	8.99	11,015
6.	12	938,440	472,789	5.84	14.83	9,541
7.	9	744,280	743,273	9.19	24.02	8,995
8.	7	550,120	824,223	10.19	34.21	8,230
9.	1	97,080	856,583	10.59	44.80	6,991
10.	1	97,080	880,853	10.89	55.69	5,020

Note: Scrappage was calculated by taking non-re-registration averages over the past 20 years for cars of varying ages, then subtracting projections of non-recovered stolen cars, derived from FBI data.

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